

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Beaver Township	County Newaygo
Fiscal Year End 3/31/06	Opinion Date 11/27/06	Date Audit Report Submitted to State 12/4/06	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

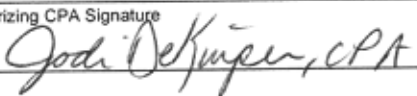
We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES NO **Check each applicable box below.** (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☒ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☒ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Hendon & Slate, P.C.		Telephone Number 231-924-6890	
Street Address 711 W. Main Street		City Fremont	State MI
Zip 49412		License Number 1101021180	
Authorizing CPA Signature 		Printed Name Jodi DeKuiper	

**BEAVER TOWNSHIP  
NEWAYGO COUNTY, MICHIGAN**

**FINANCIAL STATEMENTS**

**MARCH 31, 2006**

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## BEAVER TOWNSHIP

### Board Members

	<u>Position</u>
Allen ward	Supervisor
Penny Gleason	Clerk
Amy Maynard	Treasurer
Judy Peplinski	Trustee
Warren Knapp	Trustee



**Hendon & Slate, P.C.**  
CERTIFIED PUBLIC ACCOUNTANTS  
BUSINESS CONSULTANTS



Township Board  
Beaver Township  
Newaygo, County  
Bitely, MI 49309

### Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Beaver Township as of and for the year ended March 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Townships' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free from material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Beaver Township, Michigan as of March 31, 2006, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages 3 through 5 and pages 21 and 22, are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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As discussed in Note A, the Township adopted Governmental Accounting Standards Board Statement Number 34 during the current year. As a result, these financial statements present entirely new financial information. Governmental activities report information by individually significant fund, as well as in total on the full accrual basis of accounting.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Beaver Township, Michigan's basic financial statements. The introductory section is presented for purposes of additional analysis and is not a required part of the basic financial statements. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

*Hendon & Slate*

Hendon & Slate, P.C.  
Certified Public Accountants  
November 27, 2006

## BEAVER TOWNSHIP

### Management's Discussion and Analysis (MD&A) For the Year Ended March 31, 2006

#### Using this Annual Report

This annual report consists of a series of financial statements. The Governmental Wide Statement of Net Assets and the Government Wide Statement of Activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements.

#### The Township as a Whole

The Township's unrestricted net assets (the part of net assets that can be used to finance day-to-day operating) increased 2.6% from March 31, 2005 - from \$134,368 to \$137,803. In a condensed format, the table below shows key financial information (in future years, when prior year information is available, a comparative analysis of data will be presented):

	Governmental Activities
Current Assets	\$ 138,553
Non-Current Assets	16
Total Assets	<u>\$ 138,569</u>
Liabilities	\$ 750
Total Liabilities	<u>\$ 750</u>
Net Assets	
Invested in Capital Assets-Net of Debt	\$ 16
Unrestricted	<u>137,803</u>
Total Net Assets	<u>\$ 137,819</u>
Program Revenues	
Charges for Services	\$ 700
General Revenues	
Property Taxes	34,904
State Shared Revenues	42,958
Payments in Lieu of Taxes	2,123
National Forest Revenue	1,299
Investment Earnings	1,904
Miscellaneous	<u>1,289</u>
Total Revenues	\$ 85,177

## Management's Discussion and Analysis (Continued)

Program Expenses	
General Government	22,481
Public Safety	16,042
Public Works	24,994
Health and Welfare	7,212
Community and Economic Development	1,161
Other	9,852
	<hr/>
Total Expenses	81,742
	<hr/>
Change in Net Assets	\$ 3,435
	<hr/>

### **Governmental Activities**

Most of the general government revenues remained similar to previous levels.

Expenses increased by about \$10,000 from the prior year. Most categories of expenses saw slight increases or decreases.

### **Business-Type Activities**

The Township had no business type activities.

### **The Township's Fund**

Our analysis of the Township's major funds follows the entity wide financial statements. The fund financial statements provide detail information about the most significant funds, not the Township as a whole. The Township Board creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages. The Township's major funds for March 31, 2006 were the General and Fire Funds.

### **General Fund Budgetary Highlights**

Over the course of the year, the Township Board did not find it necessary to amend the budget to take into account events during the year. However, the Board over-expended in several activities as reported in the notes to the financial statements.

### **Capital Asset and Debt Administration**

At March 31, 2006, the Township had \$16 invested in capital assets including land and buildings. In addition, the Township has invested significantly in roads within the Township. These assets are not reported in the township's financial statements because of Michigan law, which makes these roads property of the Newaygo County Road Commission (along with the responsibility to maintain them).



**Economic Factors and Next Year's Budgets and Rates**

The Township's budget for March 31, 2007 calls for a small increase in property taxes. Normally, the Township would plan on a small increase in property taxes due to limited allowed property value increases (the lesser of inflation or 5%). The Township also projects that state shared revenue will decrease slightly in the year to come. General Fund expenditures were budgeted for a 105% increase from the previous budget, with the largest portion being budgeted for road repairs.

**Contacting the Township's Management**

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the clerk's office.

BEAVER TOWNSHIP

Government Wide Statement of Net Assets  
March 31, 2006

	<u>Governmental Activities</u>
ASSETS	
Cash and Investments	\$ 101,057
Prepaid Insurance	4,837
Taxes Receivable	5,974
Due from Trust & Agency	26,685
Land	16
Building	286
Accumulated Depreciation	<u>(286)</u>
Total Assets	138,569
LIABILITIES	
Accounts Payable	<u>\$ 750</u>
Total Liabilities	<u>750</u>
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	16
Unrestricted	<u>137,803</u>
Total Net Assets	<u><u>\$ 137,819</u></u>

The Notes to the Financial Statements are an integral part of this statement

# BEAVER TOWNSHIP

## Government Wide Statement of Activities For the Year Ended March 31, 2006

	<u>Expenses</u>	<u>Program Revenues Charges for Services</u>	<u>Net (Expenses) Revenue and Changes in Net Assets Governmental Activities</u>
Primary Government			
General Government	\$ 22,481	\$ -	\$ (22,481)
Public Safety	16,042	-	(16,042)
Public Works	24,994	-	(24,994)
Health & Welfare	7,212	-	(7,212)
Community & Economic Dev.	1,161	700	(461)
Other	<u>9,852</u>	<u>-</u>	<u>(9,852)</u>
Total Primary Government	<u>\$ 81,742</u>	<u>\$ 700</u>	(81,042)
General Revenues			
Property Taxes - Levied for General Purpose			34,904
State Shared Revenue			42,958
Payments in lieu of taxes			2,123
National Forest Revenue			1,299
Interest			1,904
Miscellaneous			<u>1,289</u>
Total General Revenues			<u>84,477</u>
Change in Net Assets			3,435
Net Assets - April 1, 2005			<u>134,384</u>
Net Assets - March 31, 2006			<u>\$ 137,819</u>

The Notes to the Financial Statements are an integral part of this statement

# BEAVER TOWNSHIP

## Governmental Fund Balance Sheet March 31, 2006

	General Fund	Fire Fund	Total Governmental Funds
<b>ASSETS</b>			
Cash and Investments	\$ 98,221	\$ 2,836	\$ 101,057
Taxes Receivable	2,634	3,340	5,974
Due from Other Funds	<u>11,513</u>	<u>32,176</u>	<u>43,689</u>
Total Assets	<u>\$ 112,368</u>	<u>\$ 38,352</u>	<u>\$ 150,720</u>
<b>LIABILITIES</b>			
Accounts Payable	\$ 750	\$ -	\$ 750
Due to Other Funds	<u>15,495</u>	<u>1,509</u>	<u>17,004</u>
Total Liabilities	16,245	1,509	17,754
<b>FUND BALANCES</b>			
Unrestricted	<u>96,123</u>	<u>36,843</u>	<u>132,966</u>
Total Fund Balance	<u>96,123</u>	<u>36,843</u>	<u>132,966</u>
Total Liabilities and Fund Equity	<u>\$ 112,368</u>	<u>\$ 38,352</u>	<u>\$ 150,720</u>

The Notes to the Financial Statements are an integral part of this statement

BEAVER TOWNSHIP

Reconciliation of the Balance Sheet  
of Governmental Funds to the Statement of Net Assets  
For the Year Ended March 31, 2006

Total Governmental Fund Balances \$ 132,966

Total net assets reported for governmental activities in the statement of net assets are different from the amount reported as total governmental funds fund balance because:

Prepaid insurance reflects amounts that will be paid in a future period. 4,837

Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund statements. Amounts reported for governmental activities in the statement of net assets:

Governmental Capital Asset	302	
Governmental Accumulated Depreciation	<u>(286)</u>	<u>16</u>

Total Net Assets - Governmental Activities: \$ 137,819

The Notes to the Financial Statements are an integral part of this statement

# BEAVER TOWNSHIP

## Governmental Fund Statements of Revenue, Expenditures, and Changes in Fund Balance For the Year Ended March 31, 2006

	General Fund	Fire Fund	Total Governmental Funds
Revenues			
Property Taxes	\$ 15,368	\$ 19,536	\$ 34,904
State Shared Revenue	42,958	-	42,958
Licenses & Permits	700	-	700
Payments in lieu of taxes	2,123	-	2,123
National Forest Revenue	1,299	-	1,299
Interest	1,868	36	1,904
Miscellaneous	1,289	-	1,289
	<hr/>	<hr/>	<hr/>
Total Revenues	65,605	19,572	85,177
Expenditures			
General Government	22,481	-	22,481
Public Safety	-	16,042	16,042
Public Works	24,994	-	24,994
Health & Welfare	7,212	-	7,212
Community & Economic Dev.	1,161	-	1,161
Other	9,739	-	9,739
	<hr/>	<hr/>	<hr/>
Total Expenditures	65,587	16,042	81,629
Excess Revenue Over (Under) Expenditures	18	3,530	3,548
Fund Balance - April 1, 2005	<hr/> 96,105	<hr/> 33,313	<hr/> 129,418
Fund Balance - March 31, 2006	<hr/> <u>\$ 96,123</u>	<hr/> <u>\$ 36,843</u>	<hr/> <u>\$ 132,966</u>

The Notes to the Financial Statements are an integral part of this statement

BEAVER TOWNSHIP

Reconciliation of Statement of Revenues, Expenditures and Changes in  
Fund Balances of Governmental Funds to the Statement of Activities  
For the Year Ended March 31, 2006

Net Change in Fund Balances - Total Governmental Funds	\$ 3,548
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Amounts reported for governmental activities in the statement of  
activities are different because:

Prepaid insurance reflects amounts that will be paid in a  
future period:

Current Year Prepaid Insurance	4,837	
Prior Year Prepaid Insurance	<u>(4,950)</u>	(113)

Changes in Net Assets - Governmental Activities	<u>\$ 3,435</u>
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The Notes to the Financial Statements are an integral part of this statement

BEAVER TOWNSHIP

Statement of Net Assets - Fiduciary Fund  
March 31, 2006

	<u>Trust and Agency Fund</u>
Assets	
Cash and Investments	<u>\$ 208,978</u>
Total Assets	<u><u>\$ 208,978</u></u>
Liabilities and Net Assets	
Liabilities	
Due to Other Funds	\$ 26,685
Due to County	37,192
Due to Schools & ISD	123,064
Due to Others	<u>22,037</u>
Total Liabilities	208,978
Net Assets	
Unreserved	<u>-</u>
Total Liabilities and Net Assets	<u><u>\$ 208,978</u></u>

The Notes to the Financial Statements are an integral part of this statement



# BEAVER TOWNSHIP

## Statement of Changes in Net Assets - Fiduciary Funds For the Year Ended March 31, 2006

	Current Tax Collection Fund			
	Balance 4/1/2005	Additions	Deductions	Balance 3/31/2006
Assets				
Cash and Investments	\$    3,691	\$    400,859	\$    195,572	\$    208,978
Total Assets	<u>\$    3,691</u>	<u>\$    400,859</u>	<u>\$    195,572</u>	<u>\$    208,978</u>
Liabilities				
Due to Township	\$    3,691	\$        29,493	\$          6,499	\$    26,685
Due to County	-	148,971	111,779	37,192
Due to Schools & ISD	-	200,358	77,294	123,064
Due to Others	<u>-</u>	<u>22,037</u>	<u>-</u>	<u>22,037</u>
Total Liabilities	<u>\$    3,691</u>	<u>\$    400,859</u>	<u>\$    195,572</u>	<u>\$    208,978</u>

The Notes to the Financial Statements are an integral part of this statement.

## BEAVER TOWNSHIP

### Notes to the Financial Statements For the Year Ended March 31, 2006

#### NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Beaver Township conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant policies used by Beaver Township.

In June, 1999, the GASB issued Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. Certain of the significant changes in the Statement include the following:

- a. A Management's Discussion and Analysis (MD&A) section providing an analysis of the Township's overall financial position and results of operations.
- b. Financial statements prepared using full accrual accounting for all of the Township's activities.
- c. A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements (including notes to financial statements).

##### A. Reporting Entity

The reporting entity is a general law township as defined by the laws of the State of Michigan. The Township is governed by a Supervisor and Township Board.

As defined by Governmental Accounting Standards Board (GASB) No. 14, the financial reporting entity consists of (1) the primary government, (2) organizations for which the primary government is financially accountable, and (3) other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The primary government has financial accountability if it:

1. Appoints a voting majority of the organization's board, and, has the ability to impose its will on the organization; or
2. There is a potential for the component unit to provide certain financial benefits to, or impose certain financial burdens on, the primary government.

Based on this criteria, there are no other entities included in this report.

##### B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been

removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment.

Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter is excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

#### C. Measurement Focus, basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are record only when payment is due.

Revenues are recognized in the accounting period in which they become susceptible to accrual, that is when they become both measurable and available to finance expenditures of the fiscal period.

##### 1. State Shared Revenue Receivable

State Shared Revenue is distributed in six installments per year. Often the last

payment has not been received by March 31; therefore, a receivable is recorded for this amount. For fiscal year-end March 31, 2006, the amount had been received so the receivable balance was \$0.

## 2. Property Taxes Receivable

The Township property tax is levied on each December 1st on the taxable valuation of the property (as defined by state statutes) located in the Township as of the preceding December 31st. The taxes are due on September 14th and February 14th, with the final collection date of February 28th before they are added to the County tax rolls. The 2005 delinquent taxes of \$5,974 are recorded as receivable at March 31, 2006 and have been included in revenues for the year ended March 31, 2006.

The 2005 taxable valuation of the Township totaled \$13,397,837 on which ad valorem taxes levied consisted of .7945 mills for general operations and 1.4674 mills for fire operations raising \$10,576 for general operations and \$19,536 for fire operations. These amounts are recognized in the respective general and special revenue fund financial statements as current tax revenue.

The government reports the following major governmental funds:

The General fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Fire fund accounts for the resources of property tax revenue and charges for services that are restricted for fire protection purposes.

In addition the government reports the following fund:

### Fiduciary Fund

Agency Fund - the agency fund is used to account for assets held by the township in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds. The agency fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in the government-wide financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

D. Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated as fair value. Pooled investment income is generally allocated to each fund based on the cash balance in each fund.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds". Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds".

Inventories and Prepaid Items - Payments for inventorable types of supplies are recorded as expenditures at the time of purchase. Normally expenditures are not divided between years by the recording of prepaid expenses. There were no material inventories at year end.

Capital Assets - Capital assets, which include property, plant and equipment, are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

Buildings and Improvements	15 - 50 years
Land Improvements	15 years
Equipment	5 -10 years

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

NOTE B STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end. The Township approves its originally adopted budget by the end of the current fiscal year.

Notes to the Financial Statements (continued)

The budget document presents information by fund, activity, and line items. The legal level of budgetary control adopted by the governing body is the activity level.

The Township does not utilize encumbrance accounting.

Excess of Expenditures Over Appropriations in Budgeted Funds - During the year, the Local Governmental Unit incurred expenditures in certain budgeted funds which were in excess of the amounts appropriated, as follows:

<u>Budget Item</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund - Supervisor	\$ 2,800	\$ 2,845	\$ (45)
General Fund - Clerk	2,800	2,868	(68)
General Fund - Township Hall and Grounds	2,000	2,252	(252)
General Fund - Drains	700	962	(262)
General Fund - Ambulance Services	-	7,212	(7,212)
General Fund - Payroll Taxes	1,000	1,042	(42)
Fire Fund - Public Safety	16,000	16,042	(42)

NOTE C DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the Township to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The Township is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The Board has adopted an investment policy in accordance with Public Act 196 of 1997.

The Township's deposits and investment policy are in accordance with statutory authority.

The Township's deposits were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Fiduciary Funds</u>	<u>Total Primary Government</u>
Cash and Cash Equivalents	\$ 101,057	\$ 208,978	\$ 310,035

The bank balance of the Township's deposits is \$326,752, of which \$25,894 is covered by federal depository insurance and \$300,859 is in money market funds.

Notes to the Financial Statements (continued)

The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the Township evaluates each financial institution with which it deposits Township funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Investments are normally categorized to give an indication of the level of risk assumed by the Township; however, cash management funds are not categorized because they are not evidenced by securities that exist in physical or book entry form. Management believes the investments in the funds comply with the investment authority noted above.

Shelby State Bank was the sole depository actively used by the Township during the year.

NOTE D RECEIVABLES

Receivables as of year-end for the Township's individual major and non-major funds, and the fiduciary funds in the aggregate, including the applicable allowances for uncollected accounts, are as follows:

	General Fund	Fire Fund	Total
Taxes Receivable	\$ 2,634	\$ 3,340	\$ 5,974

NOTE E CAPITAL ASSETS

Capital asset activity of the primary government of the current year was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets not being depreciated				
Land	\$ 16	\$ -	\$ -	\$ 16
Capital Assets Being Depreciated				
Buildings & Improvements	286	-	-	286
Subtotal	286	-	-	286
Less Accumulated Depreciation for				
Buildings & Improvements	286	-	-	286
Subtotal	286	-	-	286
Net Capital Assets being depreciated	-	-	-	-
Capital Assets - Net of Depreciation	\$ 16	\$ -	\$ -	\$ 16

Notes to the Financial Statements (continued)

NOTE F INTERFUND RECEIVABLES AND PAYABLES

The composition of interfund balances is as follows:

Receivable Fund (Due From)		Payable Fund (Due To)	
<hr/>		<hr/>	
General Fund	\$ 1,509	Fire Fund	\$ 1,509
Fire Fund	15,495	General Fund	15,495
Fire Fund	16,681	Trust & Agency Fund	16,681
General Fund	<u>10,004</u>	Trust & Agency Fund	<u>10,004</u>
	<u>\$ 43,689</u>		<u>\$ 43,689</u>

NOTE I RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets and omissions; and natural disasters for which the Township carries commercial insurance. Liabilities in excess of insurance coverage, if any, are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.



BEAVER TOWNSHIP

Required Supplementary Information  
Budgetary Comparison Schedule for General Fund  
For the Year Ended March 31, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance to Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Beginning Year Fund Balance - April 1, 2005	\$ 146,091	\$ 146,091	\$ 96,105	\$ (49,986)
Resources (Inflows)				
Property Taxes	10,488	10,488	15,368	4,880
State Shared Revenue	51,310	51,310	42,958	(8,352)
Licenses & Permits	-	-	700	700
Payments in lieu of taxes	-	-	2,123	2,123
National Forest Revenue	1,677	1,677	1,299	(378)
Interest	-	-	1,868	1,868
Miscellaneous	<u>4,200</u>	<u>4,200</u>	<u>1,289</u>	<u>(2,911)</u>
Amounts Available for Appropriation	213,766	213,766	161,710	(52,056)
Charges to Appropriations (Outflows)				
General Government	31,600	31,600	22,481	9,119
Public Works	101,050	101,050	24,994	76,056
Health & Welfare	-	-	7,212	(7,212)
Community & Economic Development	2,100	2,100	1,161	939
Other	<u>29,000</u>	<u>29,000</u>	<u>9,739</u>	<u>19,261</u>
Total Charges to Appropriation	<u>163,750</u>	<u>163,750</u>	<u>65,587</u>	<u>98,163</u>
Budgetary Fund Balance - March 31, 2006	<u>\$ 50,016</u>	<u>\$ 50,016</u>	<u>\$ 96,123</u>	<u>\$ 46,107</u>

BEAVER TOWNSHIP

Required Supplementary Information  
Budgetary Comparison Schedule for Fire Fund  
For the Year Ended March 31, 2006

	<u>Budgeted Amounts</u>			<u>Variance to</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u>
Beginning Year Fund Balance - April 1, 2005	\$ 17,333	\$ 17,333	\$ 33,313	\$ 15,980
Resources (Inflows)				
Property Taxes	16,751	16,751	19,536	2,785
Interest	<u>-</u>	<u>-</u>	<u>36</u>	<u>36</u>
Amounts Available for Appropriation	34,084	34,084	52,885	18,801
Charges to Appropriations (Outflows)				
Public Safety	<u>16,000</u>	<u>16,000</u>	<u>16,042</u>	<u>(42)</u>
Total Charges to Appropriation	<u>16,000</u>	<u>16,000</u>	<u>16,042</u>	<u>(42)</u>
Budgetary Fund Balance - March 31, 2006	<u>\$ 18,084</u>	<u>\$ 18,084</u>	<u>\$ 36,843</u>	<u>\$ 18,759</u>

# BEAVER TOWNSHIP

## Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund For the Year Ended March 31, 2006

	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
Revenues			
Property Taxes	\$ 10,488	\$ 15,368	\$ 4,880
State Shared Revenue	51,310	42,958	(8,352)
Licenses & Permits	-	700	700
Payment in Lieu of Taxes	-	2,123	2,123
National Forest Revenue	1,610	1,299	(311)
Interest	-	1,868	1,868
Miscellaneous	<u>4,200</u>	<u>1,289</u>	<u>(2,911)</u>
Total Revenues	67,608	65,605	(2,003)
Expenditures			
General Government			
Township Board			
Salaries and Wages	1,700	1,600	100
Supervisor			
Salaries and Wages		2,600	
Miscellaneous		<u>245</u>	
	2,800	2,845	(45)
Elections			
Miscellaneous	5,000	165	4,835
Assessor			
Professional Services	9,000	5,850	3,150
Clerk			
Salaries and Wages		2,500	
Miscellaneous		<u>368</u>	
	2,800	2,868	(68)

Statement of Revenues, Expenditures and  
Changes in fund Balance - General Fund (continued)

Board of Review			
Salaries and Wages		1,135	
Miscellaneous		<u>82</u>	
	1,400	1,217	183
Treasurer			
Salaries and Wages		2,525	
Miscellaneous		<u>925</u>	
	3,600	3,450	150
Township Hall and Grounds			
Salaries and Wages		288	
Miscellaneous		<u>1,964</u>	
	2,000	2,252	(252)
Cemetery			
Salaries and Wages		2,000	
Miscellaneous		<u>234</u>	
	<u>3,300</u>	<u>2,234</u>	<u>1,066</u>
Total General Government	31,600	22,481	9,119
Public Works			
Highways, Streets and Bridges			
Professional Services	100,000	23,727	76,273
Drains	700	962	(262)
Street Lighting	<u>350</u>	<u>305</u>	<u>45</u>
Total Public Works	101,050	24,994	76,056

Statement of Revenues, Expenditures and  
Changes in fund Balance - General Fund (continued)

Health & Welfare			
Ambulance Services	-	7,212	(7,212)
Community & Economic Development			
Zoning			
Miscellaneous	700	186	514
Planning			
Salaries & Wages	<u>1,400</u>	<u>975</u>	<u>425</u>
Total Community & Economic Development	2,100	1,161	939
Other Functions			
Insurance	7,000	5,804	1,196
Payroll Taxes	1,000	1,042	(42)
Miscellaneous	<u>21,000</u>	<u>2,893</u>	<u>18,107</u>
Total Other Functions	29,000	9,739	19,261
	<u>          </u>	<u>          </u>	<u>          </u>
Total Expenditures	<u>163,750</u>	<u>65,587</u>	<u>98,163</u>
Excess Revenues Over (Under) Expenditures	(96,142)	18	96,160
Fund Balance - April 1, 2005	<u>96,105</u>	<u>96,105</u>	<u>-</u>
Fund Balance - March 31, 2006	<u>\$ (37)</u>	<u>\$ 96,123</u>	<u>\$ 96,160</u>

# Companies



**Hendon & Slate, P.C.**  
CERTIFIED PUBLIC ACCOUNTANTS  
BUSINESS CONSULTANTS



November 27, 2006

Township Board  
Township of Beaver  
Bitely, Michigan

Dear Board Members:

In connection with our recent examination of the financial statements of Beaver Township for the year ended March 31, 2006, we offer the following comments and recommendations:

## BOOKS AND RECORDS

Once again, the books and records of the Township were in good condition. However, we again noted that some of the checks were missing appropriate documentation for payment, preferably an invoice. We again recommend that the invoices be attached to a copy of the check. The Township should not pay expenditures which are not supported by some kind of documentation. For example, if the Township has a contract with someone, there may not be an invoice but a copy of the contract should be either attached to the check or a note from the clerk indicating the contract information (\$12,000 annual contract divided by 12 months equals \$1,000 current month payment).

## TAX COLLECTION PAYMENTS

As part of the testing of the tax account, we review the timing of the tax payments in accordance with the State requirements. The State requirements for a township with less than \$15 million SEV includes that the township, among other requirements, must deliver at least 90% of the money collected within 10 business days after the last day of February, with final delivery of all remaining sums by April 1<sup>st</sup>. We noted that the Township did not meet either requirement for the proper disposition of the tax funds. Approximately 81% was distributed, and final payment was made on April 1. We recommend that the Treasurer distribute these funds in accordance with the State requirement.

## PTAF

As we indicated previously, the Township is required to keep, at a minimum, a memorandum of expenditures justifying the collection of the Property Tax Administration Fee (PTAF). As in the past, we could find no record of PTAF expenditures during our audit.

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**Whitehall**  
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Century Building  
Whitehall, MI 49461  
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**Hart**  
1550 North Industrial Park Drive  
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### BUDGET

We are happy to report that the Township is appropriately documenting the budgets and officially adopting the budgets at a Township meeting. However, we noted several material overexpenditures this year. The Township is not supposed to spend more than it has budgeted for any department. Before an overexpenditure might occur the Board should amend the budget to indicate the change in projection. To be aware of possible overexpenditures prior to being incurred, the Board would need to be receiving at least quarterly reports with the budget amounts compared with the actual expenditures. We again highly recommend that these reports be prepared and provided to the Board.

With the conversion to GASB 34, it is more important than ever that the budget is presented as recommended by the Michigan Department of Treasury Uniform Budget Manual. The budget must be completed for each individual fund (general and fire), currently all funds are combined into one budget

### CAPITALIZATION POLICY

During our audit, we noted that the Township did not have a policy regarding the capitalization of fixed assets as required under GASB 34. Such a policy should be in place so that the Township can establish a dollar threshold to determine which assets have a cost and/or useful life such that it should be depreciated. We recommend that the Township adopt such a policy. A sample capitalization policy will be provided to assist in the creation of Beaver Township's capitalization policy.

### DUE TO/FROM OTHER FUNDS

During May, 1997, the General Fund paid the Walkerville Fire bill in the amount of \$3,604.70. During the 2002-2003 fiscal year, the Fire Fund portion of Delinquent Taxes was deposited into the General Fund. We applied this against the outstanding balance which resulted in the remaining balance due from the Fire Fund to the General Fund to be \$1,509.30. We again wanted to call your attention to this amount which is still outstanding as of March 31, 2006. The Township has two options: payment or forgiveness. Option One: The Fire Fund can simply make the payment to the General Fund cash account. Option Two: The General Fund can officially forgive the debt by creating a transfer from the General Fund to the Fire Fund (without moving any cash). If the Township decides to follow Option Two, we would be happy to assist the Township to properly complete the necessary steps.

Thank you for the courtesy extended to us during our audit. We look forward to a continued relationship with Beaver Township. If you have any questions regarding the audit report, this letter or any other communication, please do not hesitate to call.

Respectfully submitted,

*Jodi DeKuiper, CPA*

Jodi DeKuiper, CPA  
Hendon & Slate, P.C.